

FY2022 1Q Results

KUREHA CORPORATION

August 9, 2022

Highlights

KUREHA CORPORATION

FY2022 1Q Results

YoY: Delivered strong revenue and profit growth driven by broad-based pricing actions for advanced plastics and volume gains in Advanced Materials, more than offsetting higher fuel and raw material costs and increased SG&A expenses in Specialty Chemicals and Specialty Plastics

QoQ: Both revenue and profit up sequentially due primarily to expanded PVDF and agrochemicals sales and seasonal demand for home products, coupled with the absence of impairment losses recorded in 4Q/FY21

FY2022 2Q(Half-year) Outlook

Vs. FY21 2Q: Projecting top and bottom line growth as Advanced Materials sales continue to expand, partially offset by inflationary impacts on Specialty Chemicals and Specialty Plastics and slower environmental businesses related to industrial waste treatment. 2Q profit growth likely to slow down versus 1Q with further impacts of surging energy and raw material prices.

Vs. Initial forecast: Upgrading 2Q forecast to reflect limited impact of presumed risks seen during 1Q; expected revenue expansion led by a weaker Japanese yen, higher prices and higher agrochemical sales volumes (a front-loaded delivery); and spending of SG&A expenses postponed to 3Q-4Q

*Kureha will continually monitor the impact of potential risks and announce its updated full-year forecast based on changes in the business conditions when reporting 2Q results.

	1Q/FY21	4Q/FY21	1Q/FY22	YoY	QoQ
AM	1.0	5.8	5.6	+4.7	-0.1
SC	-0.0	-0.7	-0.3	-0.3	+0.4
SP	2.3	1.3	2.1	-0.2	+0.8
CO & Other	1.0	1.1	0.7	-0.3	-0.4
Adjustments	0.0	-5.5	0.0	-0.0	+5.5
Core operating profit	4.3	2.0	8.1	+3.9	+6.2

	2Q/FY21	2Q/FY22 Initial forecast	2Q/FY22 Revised forecast	Vs. 2Q/FY21	Vs. Initial forecast
AM	2.6	5.2	7.5	+4.9	+2.3
SC	1.2	0.5	0.8	-0.4	+0.3
SP	5.1	3.5	3.7	-1.4	+0.2
CO & Other	2.2	1.3	1.3	-0.9	+0.0
Adjustments	0.2	-0.5	-0.3	-0.5	+0.2
Core operating profit	11.4	10.0	13.0	+1.6	+3.0



FY2022 1Q Summary (1)

KUREHA CORPORATION

(in billions of yen)

	FY2021 1Q	FY2022 1Q	Change YOY
Revenue	37.8	49.3	11.4 (+30.2%)
Core operating profit	4.2	8.1	3.9 (+92.1%)
Adjustments	0.0	-0.0	-0.1
Other income	0.1	0.2	0.1
Other expenses	0.1	0.2	0.1
Operating profit	4.3	8.1	3.9 (+91.4%)
Financial income	0.2	0.4	0.2
Financial expenses	0.1	0.1	-0.1
Profit before taxes	4.4	8.5	4.2 (+95.4%)
Profit attributable to owners of Kureha Corp.	3.3	5.5	2.2 (+65.3%)
Profit per share (¥)	¥169.26	¥279.79	
[References] FOREX ¥/USD:	¥109.5	¥129.7	
¥/EUR:	¥131.9	¥138.3	
¥/CNY:	¥17.0	¥19.6	

Vs. FY2021 1Q

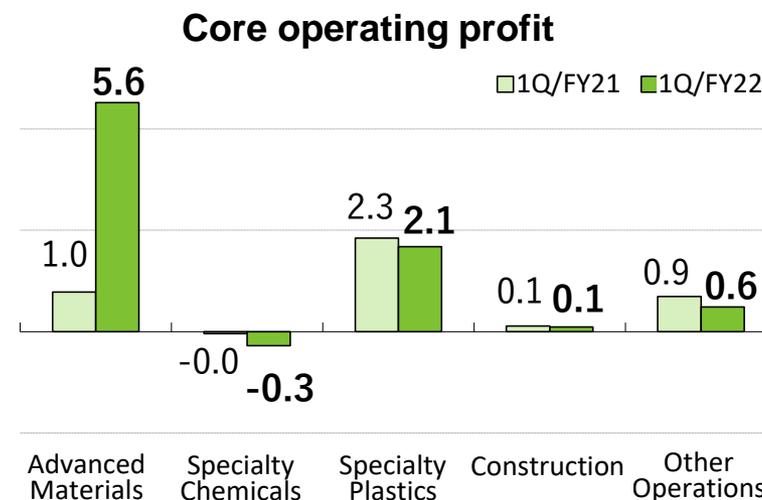
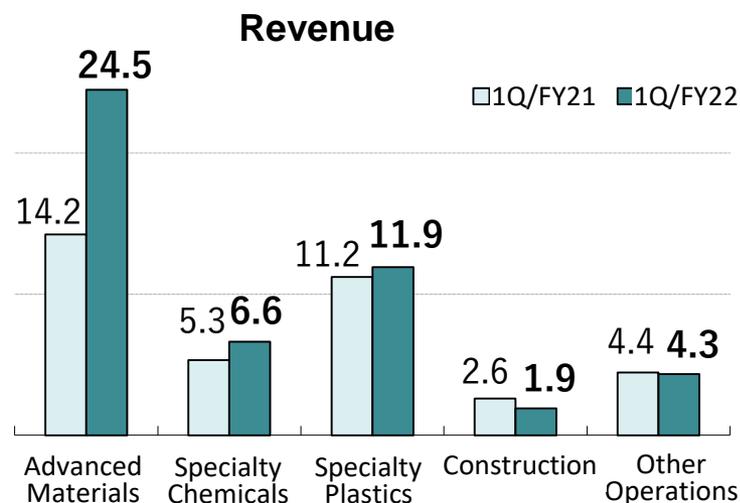
- Revenue growth led by advanced plastics, particularly PVDF binder for lithium-ion batteries
- Higher core operating profit driven by strong gains in advanced plastics
- Operating profit increased as a result of higher core operating profit
- Profit attributable to the Company increased as a result of higher profit before taxes

FY2022 Q1 Summary (2)

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Performance by Segment (vs. 1Q/FY21)

(in billions of yen)



Factors attributing to changes in core operating profit

AM: Sales expansion of PVDF, PPS, PGA and other plastic products

SC: Higher agrochemicals volumes more than offset by impact of mandatory drug price revisions and higher fuel and raw material costs

SP: Higher packaging materials volumes more than offset by slower home product and fishing line sales

CO: Fewer private construction projects

OO: Decreased volumes related to industrial waste treatment

Segment Performance: Advanced Materials

(billions of yen)

	FY2021 1Q	FY2022 1Q	Change %
Advanced Materials			
Advanced plastics	9.7	19.2	+98%
Carbon products	1.5	1.5	+7%
Other	3.1	3.7	+20%
Revenue	14.2	24.5	+72%
Operating profit	1.0	5.6	+481%

Vs. FY2021 1Q

Revenue ↗ Operating profit ↗

Advanced plastics

Revenue up, profit up:

- Continued strong demand for PVDF in the automotive LiB market
- higher PPS and PGA sales volumes

Carbon products

Revenue and profit leveled off:

- Sales volumes of carbon fiber used for high-heat furnace insulation and automotive sliding materials on par with prior year

Segment Performance: Specialty Chemicals

(billions of yen)

	FY2021 1Q	FY2022 1Q	Change %
Specialty Chemicals			
Agrochemicals	0.7	1.6	+130%
Pharmaceuticals	1.2	1.1	-14%
Industrial chemicals	1.7	2.1	+25%
Other	1.7	1.9	+9%
Revenue	5.3	6.6	+24%
Operating profit	-0.0	-0.3	--

Vs. FY2021 1Q

Revenue ↗ Operating profit ↘

Agrochemicals & Pharmaceuticals

Revenue up, profit down:

- Higher fungicides volumes
- Decreased sales volume of *Kremezin*, a therapeutic agent for chronic kidney failures

Industrial chemicals

Revenue up, profit down:

- Improved sales volumes of organic and non-organic chemicals
- Higher raw material and fuel costs

Segment Performance: Specialty Plastics

(billions of yen)

	FY2021 1Q	FY2022 1Q	Change %
Specialty Plastics			
Home products	5.9	5.8	-2%
Fishing lines	1.3	1.2	-6%
Packaging materials	3.0	3.8	+26%
Other	1.0	1.1	+12%
Revenue	11.2	11.9	+6%
Operating profit	2.3	2.1	-9%

Vs. FY2021 1Q

Revenue ↗ **Operating profit** ↘

Home products & Fishing lines

Revenue down, profit down:

- Slower sales of *NEW Krewrap* (home-use food wrap film) and *Seaguar* fishing lines

Packaging materials

Revenue up, profit up:

- Sales expansion led by heat-shrink multilayer film and PVDC film

Segment Performance: Construction

(billions of yen)

	FY2021 1Q	FY2022 1Q	Change %
Construction			
Construction	4.5	3.9	-13%
Elimination (Intercompany sale)	-1.9	-2.0	--
Revenue	2.6	1.9	-27%
Operating profit	0.1	0.1	-17%

Other Operations

Environmental engineering	3.2	2.9	-9%
Logistics	2.0	2.0	-2%
Hospital operations	1.0	1.1	+5%
Others	0.6	0.6	-2%
Elimination (Intercompany sale)	-2.4	-2.3	--
Revenue	4.4	4.3	-3%
Operating profit	0.9	0.6	-29%

Vs. FY2021 1Q

Construction

Revenue ▼ **Operating profit** ▼

- Fewer private construction projects
- Flat volume growth in public construction

Other Operations

Revenue ▼ **Operating profit** ▼

- Environmental engineering revenue and profit down due mainly to decreased industrial waste treatment volumes, including low-level PCB wastes
- Logistics revenue and profit on par with prior year
- Hospital Operations revenue and profit on par with prior year

Financial Position

KUREHA CORPORATION

(billions of yen)

Assets

	Mar. 31 2022	Jun. 30 2022	Change
Cash and cash equivalents	30.6	28.3	-2.3
Trade and other receivables	35.8	39.1	3.3
Inventories	41.7	46.1	4.4
Other current assets	4.3	7.2	2.9
Total current assets	112.4	120.8	8.3
Property, plant and equipment	114.4	116.0	1.5
Intangible assets	4.0	4.4	0.4
Investments and other assets	51.7	49.5	-2.2
Total non-current assets	170.2	169.9	-0.3
Total assets	282.6	290.7	8.1

Liabilities and Equity

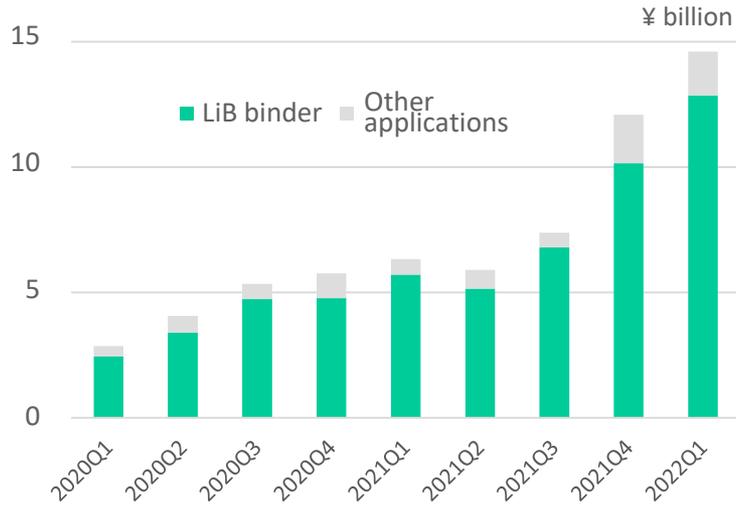
	Mar. 31 2022	Jun. 30 2022	Change
Trade and other payables	29.5	29.5	0.0
Interest-bearing debt	28.5	30.8	2.3
Provisions	8.2	6.3	-2.0
Other liabilities	15.7	17.1	1.4
Total liabilities	81.9	83.7	1.8
Shareholders' equity	18.2	18.2	-
Capital surplus	14.7	14.7	-
Less: Treasury stock	-8.7	-8.7	0.0
Retained earnings	166.0	168.6	2.6
Other components of equity	9.0	12.7	3.7
Non-controlling interests	1.5	1.5	-0.0
Total equity	200.7	207.0	6.3
Total liabilities and equity	282.6	290.7	8.1

Note: Kureha signed an agreement to sell its equity held in Nantong SKT New Material Co. on June 10, 2022. Subsequently, a total of ¥3.3 billion under 'Investments and other assets' has been reclassified as 'Other current assets.'

PGA & PVDF Business Updates

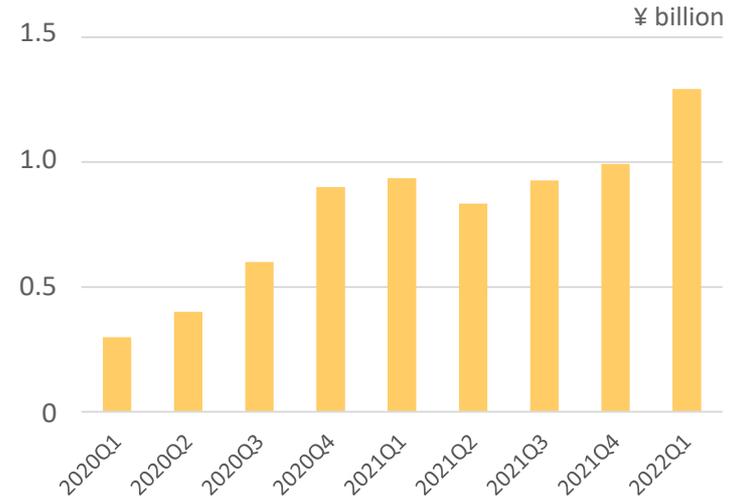
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Revenue: PVDF



- The LiB market continues to grow with increased demand for electric vehicles (BEV, PHEV), showing promising long-term growth amid global carbon neutrality initiatives and automakers' focus on green cars
- Recorded continued sequential growth in PVDF revenue as we raised prices to absorb higher raw materials costs and boosted the production for high-margin specialty polymers

Revenue: PGA



- The shale oil and gas market is gradually recovering in post-pandemic economy, driven by surging energy prices
- Since Fall 2020, Kureha PGA frac plug has been increasingly adopted for full-bore application (developing an entire wellbore vs. a toe part) due to our flexible pricing
- Will increase our share in mid/high-temperature well application and launch an improved PGA frac plug for low/extra low-temp wells by end of FY2022

Revisions to FY2022 2Q Forecast

KUREHA CORPORATION

(in billions of yen)

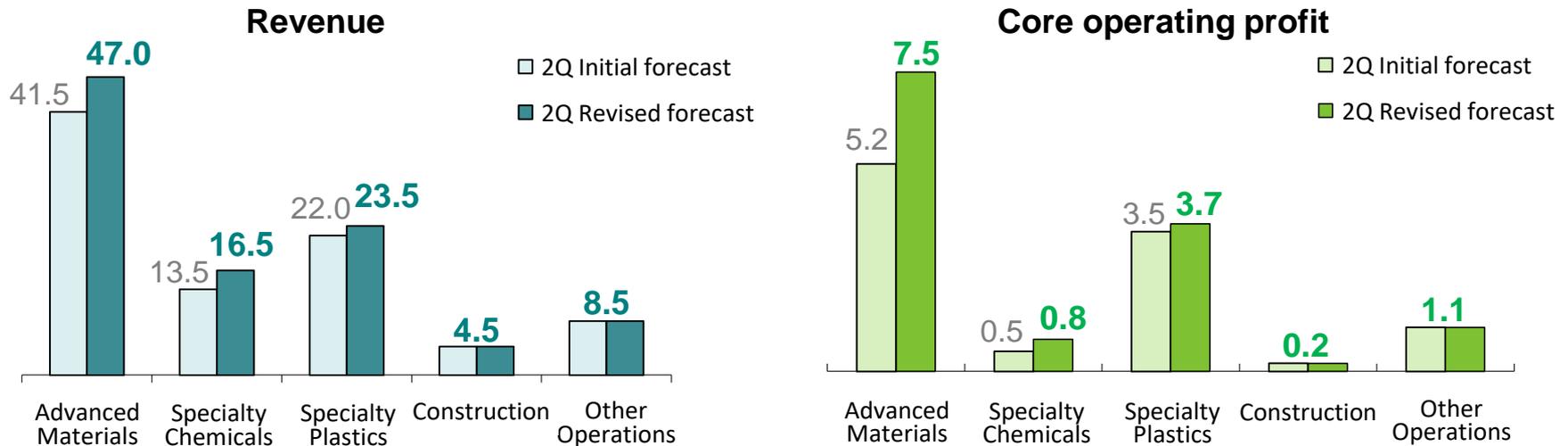
	FY2021Q2	FY2022Q2 Revised forecast	Change YoY	FY2022Q2 Initial forecast	Changes in forecast
Revenue	79.1	100.0	20.9 (+26.5%)	90.0	10.0 (+11.1%)
Core operating profit	11.1	13.3	2.2 (+19.6%)	10.5	2.8 (+26.7%)
Adjustments	0.0	--	-0.0	0.0	--
Other income	0.5	0.1	-0.4	0.1	--
Other expenses	0.2	0.4	0.2	0.6	-0.2
Operating profit	11.4	13.0	1.6 (+14.4%)	10.0	3.0 (+30.0%)
Financial income	0.2	0.6	0.4	0.2	0.4
Financial expenses	0.2	0.1	-0.1	0.2	-0.1
Profit before taxes	11.5	13.5	2.0 (+17.9%)	10.0	3.5 (+35.0%)
Profit attributable to owners of Kureha Corp.	8.3	9.5	1.2 (+14.1%)	7.5	2.0 (+26.7%)
Profit per share (¥)	¥426.73	¥486.74		¥384.27	
FOREX ¥/USD:	¥109.8	¥131.0		¥120.0	
¥/EUR:	¥130.9	¥141.0		¥132.0	
¥/CNY:	¥17.0	¥19.0		¥18.5	

Revisions to FY2022 2Q Forecast

KUREHA CORPORATION

Segment Performance (vs. Initial forecast)

(in billions of yen)



Factors attributing to changes in core operating profit

AM: Marginal impact of presumed risks

SC: A front-loaded shipment of some agrochemicals (moved up from 2H)

SP: Better-than-forecast sales of fishing lines and other plastic products

CO: (Unchanged from initial forecast)

OO: (Unchanged from initial forecast)

- As some risks still remain to possibly affect our operations, Kureha will update and announce its full-year earnings forecast based on changes in the business conditions when releasing 2Q results (scheduled for November 9, 2022)

Risks reflected into our initial full-year forecast (announced on May 12, 2022):

Risks associated with the Ukraine crisis and China pandemic restrictions including;

- Raw material and energy prices remaining at high levels (to be partially offset by pricing actions)
- Logistics cost inflation, increased purchasing cost for Specialty Plastics
→Will further impact the cost of sales in and after 2Q
- Slower market growth surrounding electric vehicles and Li-ion batteries
- Reduced PVDF and carbon fiber production and sales due to prolonged pandemic lockdowns in China

- To address these risks, Kureha has taken the following measures:
 - Increase prices to pass on higher fuel, raw material and logistics costs to customers
 - Liquid caustic soda: up ¥30/kg or more (August 1, 2022-)
 - Home products and packaging materials: up 10-35% (October 1, 2022-), etc
 - Optimized Advanced Materials manufacturing operations in Japan and China to ensure steady supply
 - Made necessary arrangements to enable continuous manufacturing operations at the China PVDF facility in case of pandemic lockdowns
 - Increased storage capacity for raw materials for PVDF in Japan

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